

File

1972 ANNUAL REPORT



WCI CANADA LIMITED

HEAD OFFICE

490 York Road, Guelph, Ontario

REGISTRAR

The Royal Trust Company Toronto/Montreal

INDEPENDENT AUDITORS

Ernst & Ernst Montreal

DIRECTORS

Angus DUNBAR, Q.C.
Edward S. REDDIG
Willard A. GIDDENS
Henry S. REDDIG

Roy H. HOLDT
Paul F. SALIPANTE
Ward SMITH
Karl E. WARE

OFFICERS

Edward S. REDDIG
Paul F. SALIPANTE
Roy H. HOLDT
Henry S. REDDIG
Karl E. WARE
Ward SMITH

Willard A. GIDDENS

Claude LAFONTAINE

Chairman of the Board
President
Vice President
Vice President
Vice President
Vice President &
Assistant Secretary
Vice President &
Assistant Treasurer
Secretary & Treasurer

WCI CANADA LIMITED
and Subsidiaries
(Formerly Kelvinator of Canada Limited)

REPORT TO THE SHAREHOLDERS
FOR THE YEAR ENDED SEPTEMBER 30, 1972

The fiscal year ended September 30, 1972 was an eventful period in the history of the Company, since it marked the acquisition by the Company of four affiliated companies and the changing of its name to WCI Canada Limited. Through this transaction, the authorized common shares of the Company have been increased to 5,000,000 shares, and the issued shares stand at 1,576,060 shares at September 30, 1972.

Combined operations of the Company for the fiscal year 1972 showed a marked improvement in all areas over the previous year. Net sales in fiscal 1972 amounted to \$56,950,247 compared with sales of \$41,378,420 in 1971. Net income totaled \$4,487,412 compared with \$769,581 in 1971.

On a per share basis, net income before extraordinary items was \$2.06 per share and extraordinary items added \$.79 making total earnings per share \$2.85 for the year 1972. On the basis of a comparable number of shares, combined earnings before extraordinary items would have been \$.28 per share, plus extraordinary items of \$.21, totaling \$.49 per share for fiscal 1971.

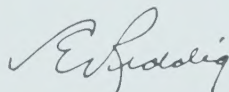
Consolidated operations of the Company, which exclude the results of companies acquired on September 29, 1972, also show a substantial improvement in fiscal 1972 over the previous year.

Your major appliance group now consists of the previous operations of Kelvinator of Canada Limited, Franklin Manufacturing Company (Canada) Ltd., Hupp Canada Ltd., Refrigeration Supplies Co. Limited as well as White Consolidated Industries, Ltd. Products manufactured or distributed by the Company include all major kitchen and laundry appliances as well as domestic sewing machines. These appliances are distributed through nationwide networks of branded dealers and distributors, along with substantial quantities sold to private brand marketers.

The Company's plants and facilities are located in Cambridge and Guelph, Ontario and in L'Assomption, Quebec. February 1972 saw the completion of rearrangement and expansion of the manufacturing facilities at L'Assomption, Quebec, thereby increasing substantially the Company's capacity for refrigerator and electric range manufacturing.

Sales and operating results for the first quarter of fiscal 1973 have continued the favorable trend shown in 1972, and your management believes that additional growth will be achieved during the full fiscal year 1973. Our sincere appreciation is extended to the officers and employees of the Company and its subsidiaries for their dedicated efforts during the past years which have enabled the Company to become a major factor in the Canadian appliance industry.

On behalf of the Board,



Chairman



President

Guelph, Ontario
February 15, 1973

WCI CANADA LIMITED

and Subsidiaries

(Formerly Kelvinator of Canada Limited)

COMBINED STATEMENT OF INCOME

(including operations of companies acquired September 29, 1972 — Note 1)

	Year ended September 30	
	1972	1971
Net sales	\$56,950,247	\$41,378,420
Other income	468,681	244,187
	<u>57,418,928</u>	<u>41,622,607</u>
Costs and expenses (including depreciation and amortization of \$870,729 in 1972 and \$797,463 in 1971):		
Cost of products sold	44,166,592	34,105,050
Selling, general and administrative expenses	5,790,921	5,221,271
Interest	961,081	1,045,031
	<u>50,918,594</u>	<u>40,371,352</u>
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	<u>6,500,334</u>	<u>1,251,255</u>
Income taxes:		
Current	3,170,000	560,000
Deferred	90,000	250,000
	<u>3,260,000</u>	<u>810,000</u>
INCOME BEFORE EXTRAORDINARY ITEMS	3,240,334	441,255
Extraordinary items — note 2	1,247,078	328,326
NET INCOME	<u>\$ 4,487,412</u>	<u>\$ 769,581</u>
Earnings per share:		
Income before extraordinary items	\$ 2.06	\$ 0.28
Extraordinary items	0.79	0.21
Net income	<u>\$ 2.85</u>	<u>\$ 0.49</u>

See notes to financial statements

WCI CANADA LIMITED
and Subsidiaries
(Formerly Kelvinator of Canada Limited)

CONSOLIDATED STATEMENT OF INCOME

(excluding operations of companies acquired September 29, 1972 — Note 1)

	Year ended September 30	
	1972	1971
Net sales	\$13,359,225	\$ 8,406,198
Other income	148,103	205,925
	<u>13,507,328</u>	<u>8,612,123</u>
Costs and expenses (including depreciation and amortization of \$126,539 in 1972 and \$113,680 in 1971):		
Cost of products sold	11,584,298	7,514,770
Selling, general and administrative expenses	1,445,363	1,091,149
	<u>13,029,661</u>	<u>8,605,919</u>
 INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	 477,667	 6,204
Income taxes	<u>230,000</u>	<u>—</u>
 INCOME BEFORE EXTRAORDINARY ITEMS	 247,667	 6,204
Extraordinary items — note 2	<u>216,756</u>	<u>(78,223)</u>
NET INCOME — (LOSS)	<u>\$ 464,423</u>	<u>\$ (72,019)</u>
 Earnings per share:		
Income before extraordinary items	\$ 0.62	\$ 0.02
Extraordinary items	<u>0.54</u>	<u>(0.20)</u>
Net income — (loss)	<u>\$ 1.16</u>	<u>\$ (0.18)</u>

See notes to financial statements

WCI CANADA LIMITED

and Subsidiaries

(Formerly Kelvinator of Canada Limited)

CONSOLIDATED BALANCE SHEET

	September 30	
	1972	1971
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,312,356	\$ 300,086
Receivables:		
Trade	9,020,615	2,647,090
Affiliated companies	54,088	687,147
	9,074,703	3,334,237
Inventories — Note 3	12,689,122	1,492,653
Prepaid expenses	273,836	99,471
TOTAL CURRENT ASSETS	23,350,017	5,226,447
 PROPERTY, PLANT AND EQUIPMENT — on the basis of cost — Note 2		
Land	182,449	9,879
Buildings	7,332,075	2,577,247
Machinery and equipment	8,340,222	1,050,291
	15,854,746	3,637,417
Less allowances for depreciation and amortization	9,190,197	2,373,187
	6,664,549	1,264,230
 EXCESS OF ISSUE PRICE OF SHARES OVER NET ASSETS OF SUBSIDIARIES ACQUIRED — Note 1	11,113,917	1
	<u>\$41,128,483</u>	<u>\$ 6,490,678</u>

See notes to financial statements

WCI CANADA LIMITED
and Subsidiaries
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CONSOLIDATED BALANCE SHEET

	September 30	
	1972	1971
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Trade and sundry accounts payable	\$ 5,268,093	\$ 296,784
Due to affiliated companies	503,135	638,272
Income taxes	1,091,263	—
TOTAL CURRENT LIABILITIES	6,862,491	935,056
 LONG-TERM DEBT — Note 4	 11,103,535	 —
 PROVISION FOR WARRANTY	 179,287	 —
 DEFERRED INCOME TAXES	 557,086	 —
SHAREHOLDERS' EQUITY		
Capital Stock, no par value: — Note 1		
Authorized 5,000,000 shares in 1972		
and 800,000 shares in 1971		
Issued 1,576,060 shares in 1972		
and 400,000 shares in 1971	16,906,039	500,000
Retained income	5,520,045	5,055,622
	22,426,084	5,555,622
 CONTINGENT LIABILITIES — Note 6		
	<u>\$41,128,483</u>	<u>\$ 6,490,678</u>

APPROVED ON BEHALF OF THE BOARD:

E. S. REDDIG, *Director*

P. F. SALIPANTE, *Director*

See notes to financial statements

WCI CANADA LIMITED

and Subsidiaries

(Formerly Kelvinator of Canada Limited)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

ADDITIONS	Year ended September 30	
	1972	1971
From operations:		
Net income — (loss)	\$ 464,423	\$ (72,019)
Depreciation and amortization	126,539	113,680
	<u>590,962</u>	<u>41,661</u>
From acquisitions:		
Issuance of capital stock	16,406,039	—
Deferred credits	736,373	—
Long-term debt	11,103,535	—
TOTAL ADDITIONS	<u>28,836,909</u>	<u>41,661</u>
DEDUCTIONS		
Additions to property, plant and equipment — net	62,248	30,780
Payments of warranty costs	—	60,111
Excess of issue price of shares over net assets of subsidiaries acquired	11,113,917	—
Net noncurrent assets acquired	5,464,609	—
TOTAL DEDUCTIONS	<u>16,640,774</u>	<u>90,891</u>
INCREASE (DECREASE) IN WORKING CAPITAL ..	12,196,135	(49,230)
WORKING CAPITAL AT BEGINNING OF YEAR	<u>4,291,391</u>	<u>4,340,621</u>
WORKING CAPITAL AT END OF YEAR	<u>\$16,487,526</u>	<u>\$ 4,291,391</u>

CONSOLIDATED STATEMENT OF RETAINED INCOME

	Year ended September 30	
	1972	1971
Retained income at beginning of year	\$ 5,055,622	\$ 5,127,641
Income (loss) for the year	464,423	(72,019)
Retained income at end of year	<u>\$ 5,520,045</u>	<u>\$ 5,055,622</u>

See notes to financial statements

WCI CANADA LIMITED

and Subsidiaries

(Formerly Kelvinator of Canada Limited)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED STATEMENT OF INCOME

September 30, 1972

NOTE 1 — Acquisitions and Principles of Consolidation and Principles of Combination.

On September 29, 1972, the Company acquired all of the outstanding shares of Hupp Canada Ltd., Refrigeration Supplies Co. Limited, White Consolidated Industries, Ltd., and Franklin Manufacturing Company (Canada) Ltd. in consideration of the issuance of 1,176,060 common shares without nominal or par value of WCI Canada Limited (formerly Kelvinator of Canada Limited) on which the directors have placed an aggregate value of \$16,406,039. The excess of issue price of shares over the net assets of the companies acquired in the above transactions is not being amortized.

The consolidated financial statements include the accounts of the Company and all its subsidiaries, except that the statements of income and retained income for the year ended September 30, 1972 do not include any portion of the operations of the subsidiaries acquired in September 1972. Upon consolidation, all significant intercompany accounts and transactions have been eliminated.

The combined statement of income includes the revenues and expenses of Hupp Canada Ltd., Refrigeration Supplies Co. Limited, White Consolidated Industries, Ltd. and its subsidiary, Franklin Manufacturing Company (Canada) Ltd. and WCI Canada Limited (formerly Kelvinator of Canada Limited) and subsidiaries. Significant inter-company accounts and transactions have been eliminated. The revenues and expenses of Hupp Canada Ltd., White Consolidated Industries, Ltd. and its subsidiary and Franklin Manufacturing Company (Canada) Ltd. have been recast from their fiscal years (ending December 31) to September 30.

NOTE 2 — Extraordinary Items

	Consolidated		Combined	
	1972	1971	1972	1971
Reduction of income taxes resulting from application of losses of prior years	\$230,000	\$ —	\$1,120,000	\$ —
Unrealized gain on foreign exchange	67,392	—	207,714	406,549
Cost of maintaining idle plant (deduction)	(80,636)	(78,223)	(80,636)	(78,223)
	<u>\$216,756</u>	<u>\$(78,223)</u>	<u>\$1,247,078</u>	<u>\$328,326</u>

Certain manufacturing facilities are not used in the Company's operations. A portion of these facilities has been leased through to April 30, 1977 and an irrevocable option has been granted to the Lessee to purchase this property during the period of the lease for an amount in excess of the undepreciated cost. The remainder of the property has been put up for sale or lease.

WCI CANADA LIMITED

and Subsidiaries

(Formerly Kelvinator of Canada Limited)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED STATEMENT OF INCOME

September 30, 1972

NOTE 3 — Inventories

Inventories are priced at lower of cost (principally first-in, first-out) or net realizable value and consist of the following:

	1972	1971
Finished products, merchandise and service parts	\$ 9,183,279	\$ 1,492,653
Raw materials and work in process	3,505,843	—
	<u>\$12,689,122</u>	<u>\$ 1,492,653</u>

NOTE 4 — Long-term Debt

Note payable September 30, 1977 to White Consolidated Industries, Inc., interest 6%, (U.S. \$11,000,000)	\$11,000,000
Mortgages payable by a consolidated subsidiary, interest 7%, in instalments to 1980 (U.S. \$103,535)	103,535
	<u>\$11,103,535</u>

NOTE 5 — Income Taxes

Losses available to apply against future taxable income of the Company total approximately \$2,400,000 at September 30, 1972. In addition, unclaimed capital cost allowances in excess of depreciation recorded, of the Company and its consolidated subsidiaries, total approximately \$2,550,000 at September 30, 1972 of which \$1,250,000 is available at will.

NOTE 6 — Contingent Liabilities

Guarantees have been given with respect to dealer finance contracts outstanding in the amount of \$2,300,000 at September 30, 1972.

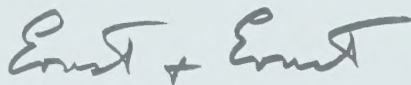
NOTE 7 — Remuneration of Directors and Officers Charged to Consolidated Operations

	1972		1971	
	Number	Amount	Number	Amount
Directors	8	\$ 1,000	8	\$ 600
Officers	8	52,795	8	46,897
Officers who are also directors	7	—	3	—

To the Shareholders,
WCI Canada Limited,
(Formerly Kelvinator of Canada Limited),
(A public company incorporated under the laws of Canada),
Guelph, Ontario.

We have examined the consolidated balance sheets, statements of income, retained income and changes in financial position of WCI Canada Limited and subsidiaries for the years ended September 30, 1972 and September 30, 1971. We have also examined the combined statements of income of WCI Canada Limited and subsidiaries and of the companies referred to in Note 1 for the years ended September 30, 1972 and September 30, 1971. Our examinations included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the consolidated financial position of WCI Canada Limited and subsidiaries at September 30, 1972 and September 30, 1971 and the consolidated results of their operations and consolidated changes in financial position for the years ended September 30, 1972 and 1971, and the accompanying combined statements of income present fairly the combined results of the operations of WCI Canada Limited and subsidiaries and of the companies referred to in Note 1 for the years ended September 30, 1972 and 1971, all in accordance with generally accepted accounting principles applied on a consistent basis.

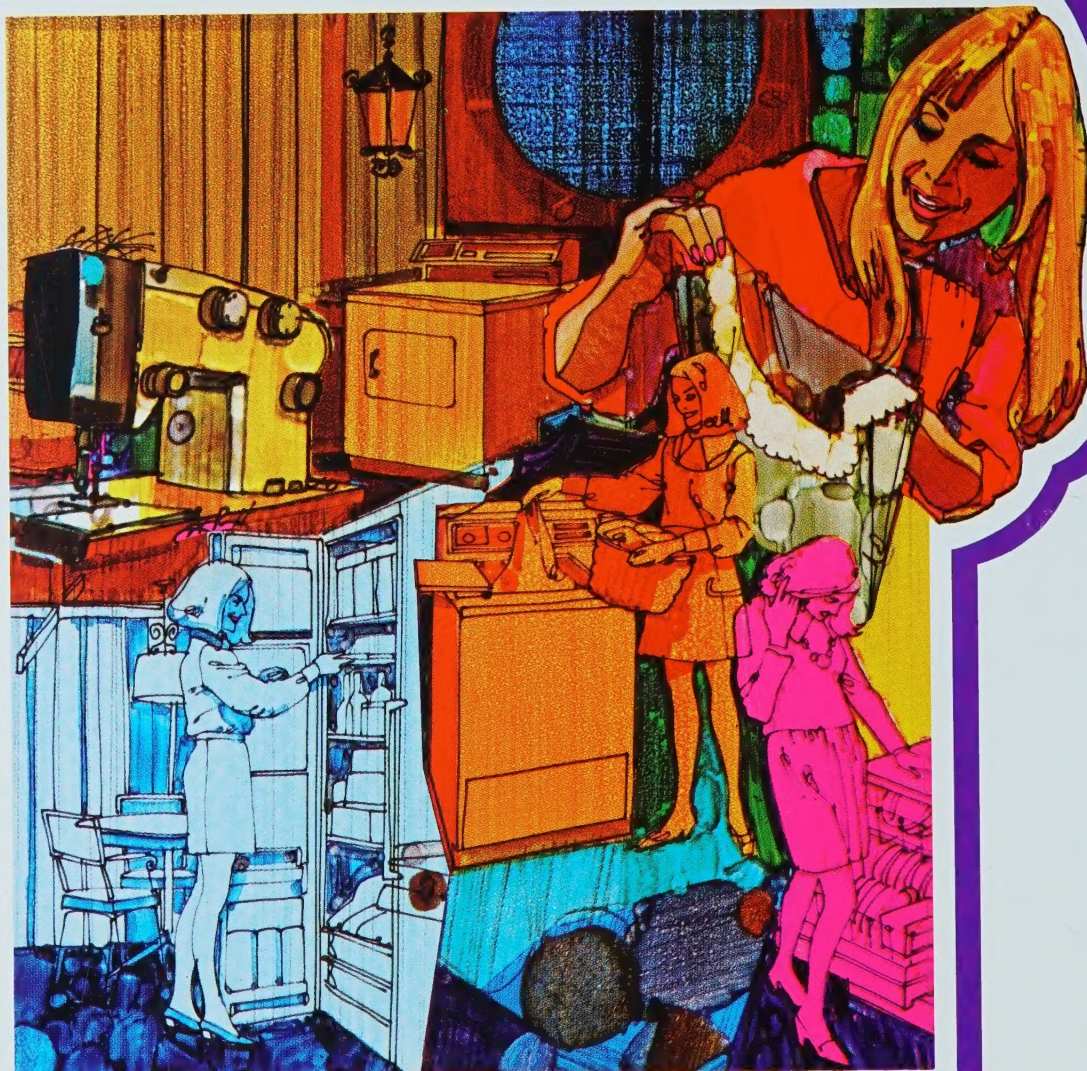
A handwritten signature in dark ink, appearing to read "Ernst & Ernst", with a stylized flourish at the end.

Chartered Accountants

December 1, 1972



CANADA LIMITED 1972 ANNUAL REPORT



YEAR ENDED SEPTEMBER 30, 1972

SUBSIDIARIES AND DIVISIONS:

FRANKLIN MANUFACTURING COMPANY (CANADA) LTD., 501 Franklin Blvd., CAMBRIDGE, Ont.

HUPP CANADA LTD., L'ASSOMPTION, Quebec

KELVINATOR SALES DIVISION, 490 York Road, GUELPH, Ontario

REFRIGERATION SUPPLIES CO. LIMITED, 490 York Road, GUELPH, Ontario

ROY AND GIBSON SALES DIVISION, L'ASSOMPTION, Quebec

WHITE CONSOLIDATED INDUSTRIES, LTD., 1470 Birchmount Road, SCARBOROUGH, Ontario